

AH-118

April-2015

S.Y. M.B.A., Integrated**Advanced Financial Accounting – II****Time : 3 Hours]****[Max. Marks : 100**

1. (a) The Balance Sheet of a Ltd. Company as on 31st March, 2015 is as follows : **14**

Liabilities	Amount	Assets	Amount
Equity shares of ₹ 10 each fully paid	7,50,000	Fixed Assets	11,64,000
6% Redeemable preference shares of ₹ 100 each, ₹ 80 paid up	3,60,000	Cash	90,000
General Reserve	2,07,000	Other Current Assets	3,06,000
Capital Reserve	18,000		
Securities Premium	12,000		
Current Liability	2,13,000		
	15,60,000		15,60,000

The company on 1st April, 2015 decided to redeem 6% redeemable preference shares at 10% premium after complying with the provisions under companies Act. The notice was given to the shareholders to pay the calls before redemption. 50 holders, holding total of 1050 shares, failed to pay the call money. For this purpose, the company utilized undistributed profit and reserve. After that the company issued minimum number of equity shares of ₹ 10 each. At a time of redemption 5 shareholders holding total 480 shares were untraceable.

The directors decided to maintain a minimum cash and bank balance for ₹ 2,25,000 and also agreed to provide necessary amount of temporary loan to the company if required (without interest).

The company then decided to utilize the resultant reserve created out of the redemption of preference shares, for issuing fully paid up bonus shares to equity share holders.

Pass necessary Journal Entries in the books of the company and prepare Cash and Bank Account.

- (b) Illustrate various ways of altering share capital of a company.

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2. The summarized Balance Sheet of Moon Shine Ltd. as on 31st December, 2014 was as under :

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Liabilities	Amount	Assets	Amount
Share Capital :		Howrah works	20,00,000
Authorized, issued and paid up :		Hoogly works workmen's fund	10,00,000
40000 equity shares of ₹ 50 each, fully paid	20,00,000	Investment	35,000
30000, 6% Pref. shares of ₹ 50 each fully paid	15,00,000	Stock	1,15,000
'A', 6% debentures secured on Howrah works	1,00,000	Debtors	50,000
'B', 6% debentures secured on Hoogly works	2,50,000	Debentures Discount :	
Workmen's compensation Fund : Howrah 25,000		A 2,500	
Hoogly 10,000	35,000	B 10,000	12,500
Bank Overdraft	7,50,000	Profit & Loss A/c.	16,22,500
Creditors	2,00,000		
	48,35,000		48,35,000

On 31st December 2014 the following scheme of capital reduction was taken :

- (1) The equity shares were reduced to ₹ 25 each.
- (2) The preference shares were reduced to ₹ 37.5 each and the rate of dividend on them to 5%.
- (3) The 'A' and 'B' Debenture holders waived payment of ₹ 42,000 interest (which was included in creditors of ₹ 2,00,000)
- (4) The directors were to be refunded ₹ 50,000 fees, they had received in cash.
- (5) The 'B' debenture holders formed a new company to take over plant for ₹ 5,00,000 and allotted 50,000 fully paid share of ₹ 5 each in new company.
- (6) The investments were valued at ₹ 25,000, stock at ₹ 50,000 and debtors at ₹ 40,000. There was no actual liability to workmen. The assets were to be written down accordingly; any fictitious assets were to be eliminated; only necessary reserve were to be retained and the balance available was to be written off the books of Howrah works.

Show necessary Journal Entries.

3. The Balance Sheet of Colourful Ltd. as on 31st December, 2014 :

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Liabilities		Amount	Assets		Amount
Paid up capital :			Land and Building		27,00,000
15% preference shares of ₹ 100 each		18,00,000	Plant & Machinery		20,70,000
9000 'I' equity shares of 100 each		9,00,000	Investments		6,30,000
18000 'II' equity shares of 100 each, ₹ 50 each		9,00,000	Stock		2,70,000
27,000 'III' equity shares of 100 each ₹ 40 paid per share			Debtors		4,50,000
	1080000		Cash on hand		90,000
Calls-in-arrears	90,000	9,90,000	Profit & Loss Account		9,90,000
₹ 10 per share					
15% Debentures		18,00,000			
Outstanding interest on debentures		1,35,000			
Provident Fund		1,35,000			
Outstanding salary of three clerks for three months		40,500			
Outstanding income tax :					
2014-15	18,000				
2013-14	31,500	49,500			
Creditors		3,15,000			
Bills Payable		1,35,000			
		72,00,000			72,00,000

Assets Realized :

- (1) Land and Building ₹ 22,50,000, Plant & Machinery ₹ 12,15,000, Investments ₹ 4,50,000, Stock ₹ 2,25,000, Debtors ₹ 3,60,000.
 - (2) The expenses of liquidation amounted to ₹ 45,000. Liquidators remuneration is 4% on assets realized and 2% of the payments to unsecured creditors.
 - (3) All payments were made on 31st March, 2015.
- Prepare Liquidators Final Statement of Affairs.

4. (a) (1) Explain various conditions to be followed in Merger.

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OR

(2) Difference between pooling of interest and purchase method.

(b) The Balance Sheet of two companies is as under :

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Balance Sheet of Jupiter Ltd. as on 31st December, 2014

Liabilities		Amount	Assets		Amount
Nominal Capital		50,00,000	Fixed Assets		30,00,000
Issued capital, each share of ₹ 10 each		50,00,000	Debtors & Stock		35,00,000
5% Debentures		10,00,000	Goodwill		10,00,000
Creditors		30,00,000	Profit & Loss		15,00,000
		90,00,000			90,00,000

Balance Sheet of Mercury Ltd. as on 31st December, 2014

Liabilities	Amount	Assets	Amount
Nominal Capital	1,00,00,000	Fixed Assets	50,00,000
Issued capital, share of ₹ 10 each	70,00,000	Debtors & Stock	10,00,000
Creditors	20,00,000	Cash at bank	10,00,000
Profit & Loss	15,00,000	Goodwill	35,00,000
	1,05,00,000		1,05,00,000

Mercury Ltd. agreed to absorb Jupiter Ltd. upon the following terms :

- (1) The shares in Jupiter ltd. are to be considered as worth ₹ 6 each (of which the shareholders are to be paid one quarter in cash and balance in shares of mercury ltd.) and shares in Mercury Ltd. @ ₹ 12.5 each.
- (2) The debentures in Jupiter Ltd. agreed to take ₹ 95 of 7% in Mercury Ltd. for every ₹ 100 of 5% Debentures held in Jupiter Ltd.
- (3) Jupiter Ltd. is to be wound up.

Show the Journal Entries to record the above in the books of both companies and draw up a balance sheet showing the position of Mercury Ltd. after absorption. The cost came to ₹ 60,000 which paid by Mercury Ltd.

5. (a) Write a note on :

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- (1) Discuss various methods of Valuation of Goodwill.

OR

- (2) Explain factors affecting valuation of Goodwill.

(b) The Balance Sheet of Anadi Ltd. as on 31st March, 2015 is given below :

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Liabilities	Amount	Assets	Amount
10% cum. Preference shares of ₹ 10 each	15,00,000	Land & Building	15,00,000
Equity Shares of ₹ 10 each, ₹ 8 per share paid up	24,00,000	Plant & Machinery	36,00,000
General Reserve	18,00,000	Furniture	4,50,000
12% Debentures	15,00,000	Stock	12,00,000
Creditors	12,00,000	Debtors	6,00,000
		Bank Balance	4,50,000
		Bills Receivables	3,00,000
		Preliminary Expenses	3,00,000
	84,00,000		84,00,000

Additional Information :

- (1) The present value of the assets of the company is to be taken as double.
- (2) The goodwill of the company is to be valued at three times the average super profit of last three years.
- (3) Average profit of last three years after deducting tax at 50% is ₹ 18,00,000.
- (4) For the last three years, the company has been transferring 25% of the profit after taxes every year to its General Reserve Account.
- (5) The expected rate of return in the company's line of business is 10%

From the above information, find out the fair value of the equity shares.